



# Small Business Management and Technical Assistance Training Programs

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## Summary

The Small Business Administration (SBA) has provided “technical and managerial aides to small-business concerns, by advising and counseling on matters in connection with Government procurement and on policies, principles and practices of good management” since it began operations in 1953. Initially, the SBA provided its own small business management and technical assistance training programs. However, over time, the SBA has relied increasingly on third parties to provide that training.

The SBA’s FY2010 budget for management and technical assistance training for small business owners is \$181.1 million. The SBA expects more than one million aspiring entrepreneurs and small business owners to receive training from an SBA-supported resource partner in FY2010.

The SBA has argued that these programs have contributed “to the long-term success of these businesses and their ability to grow and create jobs.” It currently provides funding to about “14,000 resource partners including about 900 small business development centers, more than 100 women’s business centers and more than 350 chapters of the mentoring program, SCORE.”

The Department of Commerce also provides management and technical assistance training for small businesses. For example, its Minority Business Development Agency provides training to minority business owners to assist them in becoming suppliers to private corporations and the federal government.

For many years, a recurring theme at congressional hearings concerning the SBA’s management and technical assistance training programs has been the perceived need to improve program efficiency by eliminating duplication of services and increasing cooperation and coordination both within and among SCORE, women’s business centers, and small business development centers. Congress has also explored ways to improve the SBA’s measurement of the programs’ effectiveness and to address the impact of national economic conditions on women’s business center and small business development center finances and their capacity to meet federal matching requirements and to maintain client service levels.

This report examines the historical development of federal small business management and technical assistance training programs; describes their current structures, operations, and budgets; and assesses their administration and oversight, the measures used to determine their effectiveness, and women’s business center and small business development center finances and their capacity to meet federal matching requirements and to maintain client service levels.

This report also examines provisions in S.Amdt. 4519, an amendment in the nature of a substitute for H.R. 5297, the Small Business Jobs and Credit Act of 2010, which was introduced on July 27, 2010, and H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, which has passed the House. They would authorize several changes to the SBA’s administration and oversight of its management and technical assistance training programs, the measures used to assess the programs’ effectiveness, and funding for women business centers and small business development centers.

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## Federal Management and Technical Assistance Training Programs

The Small Business Administration (SBA) administers several programs to support small businesses, including loan guaranty programs to enhance small business access to capital; programs to increase small business opportunities in federal contracting; direct loans for businesses, homeowners, and renters to assist their recovery from natural disasters; and access to entrepreneurial education to assist with business formation and expansion.<sup>1</sup> The SBA has provided “technical and managerial aides to small-business concerns, by advising and counseling on matters in connection with Government procurement and on policies, principles and practices of good management” since it began operations in 1953.<sup>2</sup>

Initially, the SBA provided its own management and technical assistance training programs. However, over time, the SBA has relied increasingly on third parties to provide that training.

The SBA’s FY2010 budget for third-party management and technical assistance training for small businesses is \$181.15 million (see **Table 1**).<sup>3</sup> The SBA expects more than one million aspiring entrepreneurs and small business owners to receive training from an SBA-supported management and technical assistance training resource partner in FY2010.<sup>4</sup>

**Table 1. SBA Management and Technical Assistance Training Programs Funding**

Training Program	FY2010
7(j) Technical Assistance Program	\$3,400,000
Microloan Technical Assistance Program	\$22,000,000
Native American Outreach Program	\$1,250,000
PRIME Technical Assistance Program	\$8,000,000
Small Business Development Center Grants Program	\$113,000,000
SCORE (Service Corps of Retired Executives)	\$7,000,000
Veterans Business Development Program	\$2,500,000
Women’s Business Center Grants Program	\$14,000,000
Entrepreneurial Development Initiatives (clusters)	\$10,000,000
Total	\$181,150,000

**Source:** U.S. Small Business Administration, “FY2011 Congressional Budget Justification and FY2009 Annual Performance Report,” Washington, DC, 2010, p. 18, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>1</sup> U.S. Small Business Administration, “Fiscal Year 2011 Congressional Budget Justification and FY2009 Annual Performance Report,” Washington, DC: GPO, 2010, p. 1.

<sup>2</sup> U.S. Congress, Senate Committee on Banking and Currency, *Extension of the Small Business Act of 1953*, report to accompany S. 2127, 84<sup>th</sup> Cong., 1<sup>st</sup> sess., July 22, 1955, S.Rept. 84-1350 (Washington: GPO, 1955), p. 17.

<sup>3</sup> U.S. Small Business Administration, “Fiscal Year 2011 Congressional Budget Justification and FY2009 Annual Performance Report,” Washington, DC: GPO, 2010, p. 21.

<sup>4</sup> *Ibid.*, p. 52.

The SBA has argued that its support of management and technical assistance training for small businesses has contributed “to the long-term success of these businesses and their ability to grow and create jobs.”<sup>5</sup> It currently provides financial support to about “14,000 resource partners including about 900 small business development centers, more than 100 women’s business centers and more than 350 chapters of the mentoring program, SCORE.”<sup>6</sup>

The Department of Commerce also provides management and technical assistance training for small businesses. For example, the Department of Commerce’s Minority Business Development Agency provides training to minority business owners to assist them in becoming suppliers to private corporations and the federal government.<sup>7</sup> In addition, the Department of Commerce’s Economic Development Administration’s Local Technical Assistance Program promotes efforts to build and expand local organizational capacity in economically distressed areas. As part of that effort, it funds projects that focus on technical or market feasibility studies of economic development projects or programs, which often include consultation with small businesses.<sup>8</sup>

For many years, a recurring theme at congressional hearings concerning the SBA’s management and technical assistance training programs has been the perceived need to improve program efficiency by eliminating duplication of services and increasing cooperation and coordination both within and among its training resource partners. Congress has also explored ways to improve the SBA’s measurement of the programs’ effectiveness and to address the impact of national economic conditions on women’s business center and small business development center finances and their capacity to meet federal matching requirements and to maintain client service levels.

This report examines the historical development of federal small business management and technical assistance training programs; describes their current structures, operations, and budgets; and assesses their administration and oversight, the measures used to determine their effectiveness, and women’s business center and small business development center finances and their capacity to meet federal matching requirements and to maintain client service levels. It also examines legislation that has been introduced to address these programs, including S.Amdt. 4519, an amendment in the nature of a substitute for H.R. 5297, the Small Business Jobs and Credit Act of 2010, which was introduced on July 27, 2010, and H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, which has passed the House.

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<sup>5</sup> Ibid., p. 4.

<sup>6</sup> Ibid.

<sup>7</sup> U.S. Department of Commerce, Minority Business Development Agency, *Annual Performance Report, Fiscal Year 2008*, Washington, DC, 2009, p. 6, [http://www.mbda.gov/?section\\_id=2&bucket\\_id=643&content\\_id=3205&well=entire\\_page&portal\\_document\\_download=true&download\\_cid=3205&name=MBDA\\_Annual\\_Performance\\_Report\\_2008.pdf&legacy\\_flag=false](http://www.mbda.gov/?section_id=2&bucket_id=643&content_id=3205&well=entire_page&portal_document_download=true&download_cid=3205&name=MBDA_Annual_Performance_Report_2008.pdf&legacy_flag=false).

<sup>8</sup> 13 C.F.R. § 306.

## **SBA Management and Technical Assistance Training Programs**

The SBA supports a number of management and technical assistance training programs, including the

- Small Business Development Center Grants Program,
- Women’s Business Center Grants Program,
- SCORE (Service Corps of Retired Executives),
- 7(j) Technical Assistance Program,
- Microloan Technical Assistance Program,
- Native American Outreach Program,
- PRIME Technical Assistance Program, and
- Veterans Business Development Programs.

The legislative history and current operating structures, functions, and budget for each of these programs is presented. In addition, if the data are available, their performance based on outcome-based measures, such as their effect on small business formation, survivability, and expansion, and on job creation and retention, is also presented. Also, a brief description of each of these programs is provided in the **Appendix**.

Given that it has just become operational, the recently announced SBA Entrepreneurial Development Initiatives Program is not discussed in detail. It is designed to “accelerate small business opportunities in existing regional clusters across the country.”<sup>9</sup> Regional clusters are “geographic concentrations of firms and industries that do business with each other and have common needs for talent, technology, and infrastructure.”<sup>10</sup> Regional cluster advocates argue that these networks “create a multiplier effect that increases efficiency, innovation, and ultimately produces conditions for high-growth, high-impact small businesses to prosper.”<sup>11</sup> The SBA’s Entrepreneurial Development Initiatives Program will provide 15 one-year grants of up to \$600,000 each, with an option for an additional funding year, to local and regional business clusters to “provide business training, commercialization and technology transfer services, counseling, mentoring and other services that support the growth and development of small businesses in the cluster area and its industries.”<sup>12</sup> The clusters “will be assessed on the impact they will have on the region’s economic growth, creation of sustainable jobs and the opportunities the cluster provides for small businesses.”<sup>13</sup>

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<sup>9</sup> U.S. Small Business Administration, “Regional Clusters Initiative,” Washington, DC, <http://www.sba.gov/clusters/index.html>.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.; and U.S. Small Business Administration, Press Office, “SBA Announces Funding Available to Support Regional Clusters, Job Creation,” Washington, DC, June 22, 2010, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/news\\_release\\_10-36.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/news_release_10-36.pdf).

<sup>13</sup> U.S. Small Business Administration, Press Office, “SBA Announces Funding Available to Support Regional (continued...) ”

## Small Business Development Centers

In 1976, the SBA created the University Business Development Center pilot program to establish small business centers within universities to provide counseling and training for small businesses. The first center was founded at California State Polytechnic University at Pomona in December, 1976. Seven more centers were funded over the next six months at universities in seven different states. By 1979, 16 small business development centers (SBDCs) received SBA funding and were providing management and technical training assistance to small businesses.<sup>14</sup>

The SBDC program was given statutory authorization by P.L. 96-302, the Small Business Development Center Act of 1980.<sup>15</sup> SBDCs were to “rely on the private sector primarily, and the university community, in partnership with the SBA and its other programs, to fill gaps in making quality management assistance available to the small business owner.”<sup>16</sup> Although most SBDCs continued to be affiliated with universities, the legislation authorized the SBA to provide funding

to any State government or any agency thereof, any regional entity, any State-chartered development, credit or finance corporation, any public or private institution of higher education, including but not limited to any land-grant college or university, any college or school of business, engineering, commerce, or agriculture, community college or junior college, or to any entity formed by two or more of the above entities.<sup>17</sup>

In 1984, P.L. 98-395, the Small Business Development Center Improvement Act of 1984, required SBDCs, as a condition of receiving SBA funding, to contribute a matching amount equal to the grant amount, and that the match must be provided by non-federal sources and be comprised of not less than 50% cash and not more than 50% of indirect costs and in-kind contributions.<sup>18</sup> It also required SBDCs to have an advisory board and a full-time director who has authority to make expenditures under the center’s budget. It also required the SBA to implement a program of onsite evaluations for each SBDC and to make those evaluations at least once every two years.

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(...continued)

Clusters, Job Creation,” Washington, DC, June 22, 2010, p. 2, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/news\\_release\\_10-36.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/news_release_10-36.pdf).

<sup>14</sup> Association of Small Business Development Centers, “A Brief History of America’s Small Business Development Center Network,” Burke, VA, [http://www.asbdc-us.org/About\\_Us/aboutus\\_history.html](http://www.asbdc-us.org/About_Us/aboutus_history.html).

<sup>15</sup> Ibid.; and U.S. Congress, Senate Committee on Small Business, *Oversight of the Small Business Administration’s Small Business Development Center Program*, 98<sup>th</sup> Cong., 1<sup>st</sup> sess., February 8, 1983, S.Hrg. 98-31 (Washington: GPO, 1983), p. 2.

<sup>16</sup> U.S. Congress, Senate Committee on Small Business, *Oversight of the Small Business Administration’s Small Business Development Center Program*, 98<sup>th</sup> Cong., 1<sup>st</sup> sess., February 8, 1983, S.Hrg. 98-31 (Washington: GPO, 1983), p. 2.

<sup>17</sup> Ibid., p. 4.

<sup>18</sup> For American Samoa, Guam and the U.S. Virgin Islands, the SBA is required to waive the match requirements on awards less than \$200,000 and has discretion to waive the match for awards exceeding \$200,000. See 48 U.S.C. Sec. 1469a. Also, there is one exception to the disallowance of federal funds as a cash match. Community Development Block Grant (CDBG) funds received from the Department of Housing and Urban Development are allowed when: (1) the SBDC activities are consistent with the authorized CDBG activities for which the funds were granted; and (2) the CDBG activities are identified in the Consolidated Plan of the CDBG grantee or in the agreement between the CDBG grantee and the subrecipient of the funds.



Today, the SBA provides grants to SBDCs that are “hosted by leading universities, colleges, and state economic development agencies” to deliver management and technical assistance training “to small businesses and nascent entrepreneurs (pre-venture) in order to promote growth, expansion, innovation, increased productivity and management improvement.”<sup>19</sup> These services are delivered, in most instances, on a non-fee, one-on-one confidential counseling basis and are administered by 63 lead service centers, one located in each state (four in Texas and six in California), the District of Columbia, Puerto Rico, the Virgin Islands, Guam and American Samoa.<sup>20</sup> These lead centers manage nearly 900 service centers located throughout the United States and the territories.<sup>21</sup> The SBDC program assisted 55,936 small business owners and prospective owners in FY2009.<sup>22</sup> Its FY2010 appropriation is \$113 million.<sup>23</sup>

Special areas of emphasis for the SBDC program include “technology transfer and other assistance to high growth companies, defense economic transition assistance, disaster recovery assistance, energy efficiency, veterans assistance, manufacturing, technology, international trade, and market research and development.”<sup>24</sup> In FY2009, 12,700 new businesses were formed with assistance from SBDC counselors.<sup>25</sup>

As part of its legislative mandate to evaluate each SBDC, in 2003, the SBA’s Office of Entrepreneurial Development designed “a multi-year time series study to assess the impact of the programs it offers to small businesses.”<sup>26</sup> The survey has been administered annually by a private firm. The latest survey findings were released on September 10, 2009.

The latest survey was sent to 4,000 SBDC clients during the fourth quarter of 2008 to assess their “initial attitudinal assessment of their counseling experience, and a follow-up with FY2006 and FY2007 clients to assess the financial impact of the received assistance.”<sup>27</sup> A total of 3,716 surveys were completed.<sup>28</sup>

The 2008 survey of SBDC clients indicated that

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<sup>19</sup> U.S. Small Business Administration, “Small Business Development Center Fy/Cy 2011 Program Announcement for Renewal of the Cooperative Agreement for Current Recipient Organizations,” Washington, DC, p. 3, [http://www.sba.gov/idc/groups/public/documents/sba\\_program\\_office/sbdc\\_2011\\_prgm\\_announce.pdf](http://www.sba.gov/idc/groups/public/documents/sba_program_office/sbdc_2011_prgm_announce.pdf).

<sup>20</sup> Ibid.

<sup>21</sup> Association of Small Business Development Centers, “Welcome,” Burke, Virginia, <http://www.asbdc-us.org/>; and U.S. Small Business Administration, “FY2011 Congressional Budget Justification and FY2009 Annual Performance Report,” Washington, DC, 2010, p. 53, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>22</sup> U.S. Small Business Administration, “FY2011 Congressional Budget Justification and FY2009 Annual Performance Report,” Washington, DC, 2010, p. 53, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>23</sup> Ibid., p. 18.

<sup>24</sup> Ibid., p. 53.

<sup>25</sup> Ibid.

<sup>26</sup> U.S. Small Business Administration, Office of Entrepreneurial Development, “Impact Study of Entrepreneurial Development Resources,” Washington, DC, September 10, 2009, p. 2, [http://www.sba.gov/idc/groups/public/documents/sba\\_program\\_office/ed\\_finalreport\\_2009.pdf](http://www.sba.gov/idc/groups/public/documents/sba_program_office/ed_finalreport_2009.pdf).

<sup>27</sup> Ibid.

<sup>28</sup> Ibid., p. 39.



- approximately 82% of SBDC respondents reported that the information they received from their counselor was valuable,
- 81% of SBDC respondents that received between three and five hours and 85% that received more than five hours of counseling rated SBDC usefulness as “high” as compared to 78% of respondents that received less than three hours of counseling, and
- 55% of start-up clients reported that SBDC educational assistance was useful with the decision to start a business.<sup>29</sup>

## **Women’s Business Centers**

The Women’s Business Center (WBC) Renewable Grant Program was initially established by P.L. 100-533, the Women’s Business Ownership Act of 1988, as the Women’s Business Demonstration Pilot Program. The act directed the SBA to provide financial assistance to private, nonprofit organizations to conduct demonstration projects giving financial, management, and marketing assistance to small businesses, including start-up businesses, owned and controlled by women. Since its inception, the program has targeted the needs of socially and economically disadvantaged women.<sup>30</sup> The WBC program was expanded and provided permanent legislative status by P.L. 109-108, the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006.

Since the program’s inception, the SBA has awarded women business centers (WBCs) a grant of up to \$150,000 per year. Initially, the grant was awarded for one year, with the possibility of being renewed twice, for a total of up to three years. As a condition of the receipt of funds, the WBC was required to raise at least one non-federal dollar for each two federal dollars during the grant’s first year (1:2), one non-federal dollar for each federal dollar during year two (1:1), and two non-federal dollars for each federal dollar during year three (2:1).

P.L. 105-135, the Small Business Reauthorization Act of 1997, authorized the SBA to award grants to WBCs for up to five years—one base year and four option years, subject to availability of funds and the recipient organization’s compliance with federal law, SBA regulations, and terms and conditions specified in a cooperative agreement. In addition, the matching requirement was reduced to one non-federal dollar for each two federal dollars in years one through three rather than just during the first year (1:2), one non-federal dollar for each federal dollar in year four rather than during year two (1:1), and two non-federal dollars for each federal dollar in year five rather than in year three (2:1). In addition, not more than one-half of the non-federal matching assistance could be in the form of an in-kind contribution, including office equipment and office space.<sup>31</sup> The SBA was also required to “develop and implement an annual programmatic and financial examination of each” WBC.<sup>32</sup>

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<sup>29</sup> Ibid., pp. 43-45.

<sup>30</sup> U.S. Congress, House Committee on Small Business, *Review of Women’s Business Center Program*, 106<sup>th</sup> Cong., February 11, 1999, Serial No. 106-2 (Washington: GPO, 1999), p. 4.

<sup>31</sup> P.L. 105-135, the Small Business Reauthorization Act of 1997, Sec. 29. Women’s Business Center Program.

<sup>32</sup> Ibid.

P.L. 106-17, the Women's Business Center Amendments Act of 1999, reduced the program's matching requirement to one non-federal dollar for each two federal dollars in years one and two (1:2), and one non-federal dollar for each federal dollar in years three, four and five (1:1).

P.L. 106-165, the Women's Business Centers Sustainability Act of 1999, authorized the SBA to create a WBC Sustainability Pilot Grant program. Subject to annual reauthorization, it provided WBCs that had completed the initial five year grant an opportunity to apply for an additional five year grant. Thus, the act allowed successful WBCs to receive SBA funding for a total of 10 years.

P.L. 110-28, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, changed the federal share to not more than 50% for all grant years (1:1). It also allowed WBCs that successfully completed the initial five-year grant period to apply for an unlimited number of three-year funding renewals.

Today, there are 113 WBCs located throughout most of the United States and the territories. WBCs assisted 1,564 small business owners in FY2009.<sup>33</sup> Its FY2010 appropriation is \$14 million.<sup>34</sup>

As part of its legislative mandate to implement an annual programmatic and financial examination of each WBC, the SBA's Office of Entrepreneurial Development includes WBCs in its previously mentioned multi-year time series study of its programs.<sup>35</sup> The survey has been administered annually by a private firm. The latest survey findings were released on September 10, 2009.

The firm administering the 2008 survey of SBA management and training clients received 278 completed surveys from WBC clients.<sup>36</sup> The survey indicated that

- approximately 80% of WBC respondents reported that the information they received from their counselor was valuable,
- 80% of WBC respondents that received more than three hours of counseling rated WBC usefulness "high" as compared to 79% of respondents that received less than three hours of counseling, and
- 53% of start-up clients reported that WBC educational assistance was useful with the decision to start a business.<sup>37</sup>

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<sup>33</sup> U.S. Small Business Administration, "FY2011 Congressional Budget Justification and FY2009 Annual Performance Report," Washington, DC, 2010, p. 56, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>34</sup> *Ibid.*, p. 18.

<sup>35</sup> U.S. Small Business Administration, Office of Entrepreneurial Development, "Impact Study of Entrepreneurial Development Resources," September 10, 2009, p. 2, [http://www.sba.gov/idc/groups/public/documents/sba\\_program\\_office/ed\\_finalreport\\_2009.pdf](http://www.sba.gov/idc/groups/public/documents/sba_program_office/ed_finalreport_2009.pdf).

<sup>36</sup> *Ibid.*, p. 67.

<sup>37</sup> *Ibid.*, pp. 71-73.

## SCORE (Service Corps of Retired Executives)

The SBA has partnered with various voluntary business and professional service organizations to provide management and technical assistance training to small businesses since the 1950s. On October 5, 1964, then-SBA Administrator Eugene P. Foley officially launched SCORE (Service Corps of Retired Executives) as a national, volunteer organization with 2,000 members, uniting over 50 independent nonprofit organizations into a single, national nonprofit organization.<sup>38</sup> Since then, the SBA has provided financial assistance to SCORE to provide training to small business owners and prospective owners.<sup>39</sup>

Over the years, Congress has authorized the SBA to take certain actions relating to SCORE. For example, P.L. 89-754, the Demonstration Cities and Metropolitan Development Act of 1966, authorized the SBA to permit members of SCORE and other nonprofit organizations use of the SBA's office facilities and services. P.L. 90-104, the Small Business Act Amendments of 1967, added the authority to pay travel and subsistence expenses "incurred at the request of the Administration in connection with travel to a point more than fifty miles distant from the home of that individual in providing gratuitous services to small businessmen" or "in connection with attendance at meetings sponsored by the Administration."<sup>40</sup> P.L. 106-554, the Consolidated Appropriations Act, 2001 (Section 1(a)(9)—the Small Business Reauthorization Act of 2000) authorized SCORE to solicit cash and in-kind contributions from the private sector to be used to carry out its functions.

The SBA currently provides grants to SCORE to provide "in-person mentoring" and "nearly 7,000 local training workshops annually" to small businesses.<sup>41</sup> SCORE's 364 chapters and more than 800 branch offices are located throughout the United States and partner with more than 12,400 volunteer counselors, who are working or retired business owners, executives and corporate leaders, to provide management and training assistance to small businesses.<sup>42</sup> The SBA's SCORE program's FY2010 appropriation is \$7 million.<sup>43</sup>

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<sup>38</sup> U.S. Congress, Senate Select Committee on Small Business, *Small Business Administration - 1965*, 89<sup>th</sup> Cong., 1<sup>st</sup> sess., May 19, 1965 (Washington: GPO, 1965), pp. 21, 45; and SCORE (Service Corps of Retired Executives), "Milestones in SCORE History," Washington, DC, <http://www.score.org/milestones.html>.

<sup>39</sup> U.S. Congress, Senate Select Committee on Small Business and House Select Committee on Small Business, *1966 Federal Handbook for Small Business: A Survey of Small Business Programs in the Federal Government Agencies*, committee print, 89<sup>th</sup> Cong., 3<sup>rd</sup> sess., January 31, 1966 (Washington: GPO, 1966), p. 5; and U.S. Congress, House Committee on Small Business, Subcommittee on Rural Development, Entrepreneurship, and Trade, *Subcommittee Hearing on Legislative Initiatives to Modernize SBA's Entrepreneurial Development Programs*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., April 2, 2009 (Washington: GPO, 2009), p. 6.

<sup>40</sup> U.S. Congress, Senate Select Committee on Small Business, *Small Business Act*, 90<sup>th</sup> Cong., 1<sup>st</sup> sess., November 22, 1967 (Washington: GPO, 1967), pp. 13, 14.

<sup>41</sup> U.S. Small Business Administration, "FY2011 Congressional Budget Justification and FY2009 Annual Performance Report," Washington, DC, 2010, p. 60, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>42</sup> SCORE (Service Corps of Retired Executives), "About SCORE," Washington, DC, [http://www.score.org/explore\\_score.html](http://www.score.org/explore_score.html).

<sup>43</sup> U.S. Small Business Administration, "FY2011 Congressional Budget Justification and FY2009 Annual Performance Report," Washington, DC, 2010, p. 18, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

W. Kenneth Yancey, Jr., SCORE's Chief Executive Office, provided the following description at a congressional hearing of SCORE's efforts to assist small businesses as they deal with the nation's current economic environment:

SCORE volunteers know things that only experience can teach. All across the country, SCORE is helping clients navigate the credit crunch. SCORE can mentor an aspiring entrepreneur through the business plan process to get them through the start-up phase. For in-business clients, SCORE can provide advice on handling cash flow problems and marketing to drive leads and sales. Many SCORE chapters offer team counseling, where a group of volunteers examine various aspects of the client's business and make recommendations.<sup>44</sup>

The SBA Office of Entrepreneurial Development includes SCORE in its multi-year time series study to assess its programs' effectiveness. The firm administering the 2008 survey of SBA management and training clients received 2,617 completed surveys from SCORE clients.<sup>45</sup> The survey indicated that

- approximately 76% of SCORE respondents reported that the information they received from their counselor was valuable,
- 79% of SCORE respondents that received three or more hours of counseling rated SCORE usefulness as "high" compared to 73% of respondents that received less than three hours of counseling, and
- 51% of start-up clients reported that SCORE educational assistance was useful with the decision to start a business.<sup>46</sup>

## **7(j) Management and Technical Assistance Program**

Utilizing what it viewed as broad statutory powers granted under Section 8(a) of the Small Business Act of 1958, as amended, the SBA issued regulations in 1970 creating the 8(a) contracting program to "assist small concerns owned by disadvantaged persons to become self-sufficient, viable businesses capable of competing effectively in the market place."<sup>47</sup> Utilizing its statutory authority under Section 7(j) of the Small Business Act to provide management and technical assistance through contracts, grants and cooperative agreement to qualified service providers, the regulations specified that "the SBA may provide technical and management assistance to assist in the performance of the subcontracts."<sup>48</sup>

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<sup>44</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on Legislation to Reauthorize and Modernize SBA's Entrepreneurial Development Programs*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 6, 2009 (Washington: GPO, 2009), p. 53.

<sup>45</sup> U.S. Small Business Administration, Office of Entrepreneurial Development, "Impact Study of Entrepreneurial Development Resources," Washington, DC, September 10, 2009, p. 53, [http://www.sba.gov/idc/groups/public/documents/sba\\_program\\_office/ed\\_finalreport\\_2009.pdf](http://www.sba.gov/idc/groups/public/documents/sba_program_office/ed_finalreport_2009.pdf).

<sup>46</sup> *Ibid.*, pp. 57-69.

<sup>47</sup> 13 C.F.R. § 124.8-1(b) (1970); and Notes, "Minority Enterprise, Federal Contracting, and the SBA's 8(a) Program: A New Approach to an Old Problem," *Michigan Law Review*, vol. 71, no. 2 (December 1972), pp. 377, 378. For further analysis of the Minority Small Business and Capital Ownership Development Program, also known as the 8(a) program, see CRS Report R40744, *The "8(a) Program" for Small Businesses Owned and Controlled by the Socially and Economically Disadvantaged: Legal Requirements and Issues*, by John R. Luckey and Kate M. Manuel.

<sup>48</sup> 13 C.F.R. § 124.8-1(d) (1970).

On October 24, 1978, P.L. 95-507, to amend the Small Business Act and the Small Business Investment Act of 1958, provided the SBA explicit statutory authority to extend financial, management, technical, and other services to socially and economically disadvantaged small businesses. The SBA's current regulations indicate that the 7(j) Management and Technical Assistance Program, named after the section of the Small Business Act of 1958, as amended, authorizing the SBA to provide management and technical assistance training, will, "through its private sector service providers" deliver "a wide variety of management and technical assistance to eligible individuals or concerns to meet their specific needs, including: (a) counseling and training in the areas of financing, management, accounting, bookkeeping, marketing, and operation of small business concerns; and (b) the identification and development of new business opportunities."<sup>49</sup> Eligible individuals and businesses include "8(a) certified firms, small disadvantaged businesses, businesses operating in areas of high unemployment, or low income or firms owned by low income individuals."<sup>50</sup>

In FY2009, the 7(j) Management and Technical Assistance Program provided seven grants, ranging from \$47,000 to \$455,000, and one interagency agreement, for \$150,000, to six management and technical assistance service providers.<sup>51</sup> They assisted 2,865 small business owners in FY2009.<sup>52</sup> The program's FY2010 appropriation is \$3.4 million.<sup>53</sup>

## **Microloan Technical Assistance Program**

Congress authorized the SBA's Microloan lending program in 1991 (P.L. 102-140, the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1992) to address the perceived disadvantages faced by women, low-income, and minority entrepreneurs and business owners gaining access to capital for starting or expanding their business. The program became operational in 1992. Its stated purpose is

to assist women, low-income, veteran ... and minority entrepreneurs and business owners and other individuals possessing the capability to operate successful business concerns; to assist small business concerns in those areas suffering from a lack of credit due to economic downturns; ... to make loans to eligible intermediaries to enable such intermediaries to provide small-scale loans, particularly loans in amounts averaging not more than \$10,000, to start-up, newly established, or growing small business concerns for working capital or the acquisition of materials, supplies, or equipment; [and] to make grants to eligible intermediaries that, together with non-Federal matching funds, will enable such intermediaries to provide intensive marketing, management, and technical assistance to microloan borrowers.<sup>54</sup>

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<sup>49</sup> 13 C.F.R. § 124.702.

<sup>50</sup> U.S. Small Business Administration, "FY2011 Congressional Budget Justification and FY2009 Annual Performance Report," Washington, DC, 2010, p. 63, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>51</sup> U.S. Small Business Administration, Office of Legislative Affairs, correspondence with the author, July 29, 2010.

<sup>52</sup> U.S. Small Business Administration, "FY2011 Congressional Budget Justification and FY2009 Annual Performance Report," Washington, DC, 2010, p. 63, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>53</sup> *Ibid.*, p. 18.

<sup>54</sup> 15 U.S.C. § 636 7(m)(1)(A).

Initially, the SBA's Microloan program was authorized as a five-year demonstration project. It was made permanent, subject to reauthorization, by P.L. 105-135, the Small Business Reauthorization Act of 1997.

The SBA's Microloan Technical Assistance Program, which is part of the SBA's Microloan program but receives a separate appropriation, provides grants to Microloan intermediaries to provide management and technical training assistance to Microloan program borrowers and prospective borrowers.<sup>55</sup> There are approximately 160 intermediaries participating in the Microloan program.

Intermediaries are eligible to receive a Microloan technical assistance grant "of not more than 25% of the total outstanding balance of loans made to it" under the Microloan program.<sup>56</sup> Grant funds may be used only to provide marketing, management, and technical assistance to Microloan borrowers, except that up to 25% of the funds may be used to provide such assistance to prospective Microloan borrowers. Grant funds may also be used to attend training required by the SBA.<sup>57</sup>

In most instances, intermediaries must contribute, solely from non-federal sources, an amount equal to 25% of the grant amount.<sup>58</sup> In addition to cash or other direct funding, the contribution may include indirect costs or in-kind contributions paid for under non-federal programs.<sup>59</sup> Intermediaries which make at least 50% of their loans to small businesses located in or owned by residents of an Economically Distressed Area are not subject to the 25% contribution requirement.<sup>60</sup> Intermediaries may expend no more than 25% of the grant funds on third-party contracts for the provision of management and technical assistance.<sup>61</sup>

The SBA does not require Microloan borrowers to participate in the Microloan Technical Assistance Program. However, intermediaries typically require Microloan borrowers to participate in the training program as a condition of the receipt of a microloan. Combining loan and intensive management and technical assistance training is one of the Microloan program's distinguishing features.<sup>62</sup>

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<sup>55</sup> For further analysis of the SBA's Microloan program see CRS Report R41057, *Small Business Administration Microloan Program*, by Robert Jay Dilger.

<sup>56</sup> 15 U.S.C. § 636(m)(4)(A).

<sup>57</sup> 13 C.F.R. § 120.712.

<sup>58</sup> *Ibid.*

<sup>59</sup> 13 C.F.R. § 120.712. Intermediaries may not borrow their contribution.

<sup>60</sup> An economically distressed area is a county or equivalent division of local government which, according to the most recent available data from the United States Bureau of the Census, 40% or more of the residents have an annual income that is at or below the poverty level. See 13 C.F.R. § 120.701.

<sup>61</sup> 13 C.F.R. § 120.712.

<sup>62</sup> Intermediaries that make at least 25% of their loans to small businesses located in or owned by residents of an Economically Distressed Area (defined as having 40% or more of its residents with an annual income that is at or below the poverty level), or have a portfolio of loans made under the program that averages not more than \$10,000 during the period of the intermediary's participation in the program are eligible to receive an additional training grant equal to 5% of the total outstanding balance of loans made to the intermediary. Intermediaries are not required to make a matching contribution as a condition of receiving these additional grant funds. See 13 C.F.R. § 120.712; and 15 U.S.C. § 636(m)(4)(C)(i).



The Microloan Technical Assistance Program assisted 2,757 small business owners in FY2009.<sup>63</sup> Its FY2010 appropriation is \$22 million.<sup>64</sup>

## **Native American Outreach Program**

The SBA established the Office of Native American Affairs in 1994 to “address the unique needs of America’s First people.”<sup>65</sup> It oversees the Native American Outreach Program, which provides management and technical educational assistance to American Indians, Alaska Natives, Native Hawaiians and “the indigenous people of Guam and American Samoa ... to promote entity-owned and individual 8(a) certification, government contracting, entrepreneurial education, and capital access.”<sup>66</sup> The program’s management and technical assistance services are available to members of these groups living in most areas of the nation.<sup>67</sup> However, “for Native Americans living in much of Indian Country, actual reservations communities where the land is held in trust by the U.S. federal government, SBA loan guaranties and technical assistance services are not available.”<sup>68</sup>

The SBA’s Office of Native American Affairs has four goals:

- to increase financial literacy across a broad section of the community and to educate internally on the roles of tribal governments;
- to formulate an SBA-specific tribal consultation policy to engage with tribally run economic development branches;
- to conduct a Native American veterans’ outreach initiative to increase the utilization of the SBA’s counseling services and the Patriot Express loan guaranty program; and
- to conduct an in-depth market research analysis to fine tune marketing efforts ending in a comprehensive communications plan to reach the target market with the end goal being a measurable increase in the use of all SBA tools with particular emphasis on loans and contracting.<sup>69</sup>

Data concerning the number of clients served by the Native American Outreach Program for all of FY2009 is not available. From May 2009 through the end of FY2009, the program served

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<sup>63</sup> U.S. Small Business Administration, “FY2011 Congressional Budget Justification and FY2009 Annual Performance Report,” Washington, DC, 2010, p. 41, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>64</sup> Ibid., p. 18.

<sup>65</sup> U.S. Congress, House Committee on Small Business, Subcommittee on Workforce, Empowerment, and Government Programs, *Oversight of the Small Business Administration’s Entrepreneurial Development Programs*, 109<sup>th</sup> Cong., 2<sup>nd</sup> sess., March 2, 2006, Serial No. 109-40 (Washington: GPO, 2006), pp. 5, 37. H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, would provide statutory authorization for the Office of Native American Affairs. It was passed by the House on May 20, 2009.

<sup>66</sup> U.S. Small Business Administration, “FY2011 Congressional Budget Justification and FY2009 Annual Performance Report,” Washington, DC, 2010, p. 65, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>67</sup> Ibid.

<sup>68</sup> Ibid.

<sup>69</sup> Ibid.



1,221 clients.<sup>70</sup> The Native American Outreach program's FY2010 appropriation is \$1.25 million.<sup>71</sup>

## **Program for Investment in Micro-entrepreneurs (PRIME)**

P.L. 106-102, the Gramm-Leach-Bliley Act (of 1999) (Subtitle C — Microenterprise Technical Assistance and Capacity Building Program) amended P.L. 103-325, the Reigle Community Development and Regulatory Improvement Act of 1994, to authorize the SBA to “establish a microenterprise technical assistance and capacity building grant program.”<sup>72</sup> The program was to “provide assistance from the Administration in the form of grants” to “nonprofit microenterprise development organizations or programs (or a group or collaborative thereof) that has a demonstrated record of delivering microenterprise services to disadvantaged entrepreneurs; an intermediary; a microenterprise development organization or program that is accountable to a local community, working in conjunction with a state or local government or Indian tribe; or an Indian tribe acting on its own, if the Indian tribe can certify that no private organization or program referred to in this paragraph exists within its jurisdiction.”<sup>73</sup>

The SBA was directed “to ensure that not less than 50% of the grants ... are used to benefit very low-income persons, including those residing on Indian reservations.”<sup>74</sup> It was also directed to

(1) provide training and technical assistance to disadvantaged entrepreneurs; (2) provide training and capacity building services to microenterprise development organizations and programs and groups of such organizations to assist such organizations and programs in developing microenterprise training and services; (3) aid in researching and developing the best practices in the field of microenterprise and technical assistance programs for disadvantaged entrepreneurs; and (4) for such other activities as the Administrator determines are consistent with the purposes of this subtitle.<sup>75</sup>

The SBA's Program for Investment in Micro-entrepreneurs (PRIME) was designed to meet these legislative requirements by providing “assistance to organizations that help low-income entrepreneurs who lack sufficient training and education to gain access to capital to establish and expand their small businesses.”<sup>76</sup> The program offers four types of grants:

- Technical Assistance Grants support training and technical assistance to disadvantaged micro-entrepreneurs,

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<sup>70</sup> U.S. Small Business Administration, Office of Legislative Affairs, correspondence with the authors, July 16, 2010.

<sup>71</sup> U.S. Small Business Administration, “FY2011 Congressional Budget Justification and FY2009 Annual Performance Report,” Washington, DC, 2010, p. 18, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>72</sup> P.L. 106-102, the Gramm-Leach-Bliley Act, Sec. 173. Establishment of Program.

<sup>73</sup> P.L. 106-102, the Gramm-Leach-Bliley Act, Sec. 173. Establishment of Program and Sec. 175. Qualified Organizations.

<sup>74</sup> P.L. 106-102, the Gramm-Leach-Bliley Act, Sec. 176. Allocation of Assistance; Subgrants.

<sup>75</sup> P.L. 106-102, the Gramm-Leach-Bliley Act, Sec. 174. Uses of Assistance.

<sup>76</sup> U.S. Small Business Administration, “PRIME Program,” Washington, DC, <http://www.sba.gov/financialassistance/prospectivelenders/prime/index.html>.

- Capacity Building Grants support training and capacity building services to micro-enterprise development organizations and programs to assist them in developing micro-enterprise training and services,
- Research and Development Grants support the development and sharing of best practices in the field of micro-enterprise development and technical assistance programs for disadvantaged micro-entrepreneurs, and
- Discretionary Grants support other activities determined to be consistent with these purposes.<sup>77</sup>

Grants are awarded on an annual basis. Applicants may be approved for option year funding for up to four subsequent years. Award amounts vary depending on the availability of funds. However, no single grantee may receive more than \$250,000 or 10% of the total funds made available for the program in a single fiscal year, whichever is less.<sup>78</sup>

Recipients must match 50% of the funding from non-federal sources. Revenue from fees, grants, and gifts; income from loan sources; and in-kind resources from non-federal public or private sources may be used to comply with the matching requirement.<sup>79</sup> SBA regulations indicate that “applicants or grantees with severe constraints on available sources of matching funds may request that the Administrator or designee reduce or eliminate the matching requirements.”<sup>80</sup> Any reductions or eliminations must not exceed 10% of the aggregate of all PRIME grant funds made available by SBA in any fiscal year.<sup>81</sup>

The SBA awarded 58 PRIME grants to management and technical assistance service providers in FY2009, ranging from \$50,000 to \$200,000.<sup>82</sup> The number of clients served by this program during FY2009 is unavailable. The PRIME program’s FY2010 appropriation is \$8 million.<sup>83</sup>

## **Veterans Business Development Programs**

The SBA has supported management and technical assistance training for veteran-owned small businesses since its formation as an agency. However, during the 1990s, some in Congress noted that a direct loan program for veterans was eliminated by the SBA in 1995 and that the “training and counseling for veterans dropped from 38,775 total counseling sessions for veterans in 1993 to 29,821 sessions in 1998.”<sup>84</sup> Concerned that “the needs of veterans have been diminished

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<sup>77</sup> Ibid.

<sup>78</sup> U.S. Small Business Administration, Office of Financial Assistance, “Program for Investment in Microentrepreneurs Act (“PRIME”): Microenterprise and Technical Assistance Programs to Disadvantaged Entrepreneurs, Fiscal Year 2010,” June 2010, Washington, DC, p. 2, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/serv\\_fa\\_2010\\_primetrack123.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/serv_fa_2010_primetrack123.pdf).

<sup>79</sup> Ibid., pp. 2, 8.

<sup>80</sup> 13 C.F.R § 119.8.

<sup>81</sup> Ibid.

<sup>82</sup> U.S. Small Business Administration, Office of Legislative Affairs, correspondence with the authors, July 27, 2010.

<sup>83</sup> U.S. Small Business Administration, “FY2011 Congressional Budget Justification and FY2009 Annual Performance Report,” Washington, DC, 2010, p. 18, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>84</sup> U.S. Congress, House Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*, report to accompany H.R. 1568, 106<sup>th</sup> Cong., 1<sup>st</sup> sess., June 29, 1999, H.Rept. 106-206 (Washington: GPO, 1999), pp. 14, 15.

systematically at the SBA,” Congress adopted P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999.<sup>85</sup> It authorized the establishment of the federally chartered National Veterans Business Development Corporation (now also known as The Veterans Corporation) to

(1) expand the provision of and improve access to technical assistance regarding entrepreneurship for the Nation’s veterans; and (2) to assist veterans, including service-disabled veterans, with the formation and expansion of small business concerns by working with and organizing public and private resources, including those of the Small Business Administration, the Department of Veterans Affairs, the Department of Labor, the Department of Commerce, the Department of Defense, the Service Corps of Retired Executives . . . , the Small Business Development Centers . . . , and the business development staffs of each department and agency of the United States.<sup>86</sup>

The act re-emphasized the SBA’s responsibility “to reach out to and include veterans in its programs providing financial and technical assistance.”<sup>87</sup> It also included veterans as a target group for the SBA’s 7(a), 504/CDC, and Microloan programs. It also required the SBA to enter into a memorandum of understanding with SCORE to, among other things, establish “a program to coordinate counseling and training regarding entrepreneurship to veterans through the chapters of SCORE throughout the United States.”<sup>88</sup> It also directed the SBA to enter into a memorandum of understanding with small business development centers, the Department of Veteran Affairs, and the National Veterans Business Development Corporation “with respect to entrepreneurial assistance to veterans, including service-disabled veterans.”<sup>89</sup> The act specified that the following services were to be provided:

- (1) Conducting of studies and research, and the distribution of information generated by such studies and research, on the formation, management, financing, marketing, and operation of small business concerns by veterans.
- (2) Provision of training and counseling to veterans concerning the formation, management, financing, marketing, and operation of small business concerns.
- (3) Provision of management and technical assistance to the owners and operators of small business concerns regarding international markets, the promotion of exports, and the transfer of technology.
- (4) Provision of assistance and information to veterans regarding procurement opportunities with Federal, State, and local agencies, especially such agencies funded in whole or in part with Federal funds.
- (5) Establishment of an information clearinghouse to collect and distribute information, including by electronic means, on the assistance programs of Federal, State, and local

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<sup>85</sup> Ibid.

<sup>86</sup> P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, Sec. 33. National Veterans Business Development Corporation.

<sup>87</sup> U.S. Congress, House Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*, report to accompany H.R. 1568, 106<sup>th</sup> Cong., 1<sup>st</sup> sess., June 29, 1999, H.Rept. 106-206 (Washington: GPO, 1999), p. 14.

<sup>88</sup> P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, Sec. 301. Score Program.

<sup>89</sup> Ibid., Sec. 302. Entrepreneurial Assistance.

governments, and of the private sector, including information on office locations, key personnel, telephone numbers, mail and electronic addresses, and contracting and subcontracting opportunities.

(6) Provision of Internet or other distance learning academic instruction for veterans in business subjects, including accounting, marketing, and business fundamentals.

(7) Compilation of a list of small business concerns owned and controlled by service-disabled veterans that provide products or services that could be procured by the United States and delivery of such list to each department and agency of the United States. Such list shall be delivered in hard copy and electronic form and shall include the name and address of each such small business concern and the products or services that it provides.<sup>90</sup>

The SBA's Office of Veterans Business Development (OVBD) was established to address these statutory requirements by promoting "veterans' small business ownership by conducting comprehensive outreach, through program and policy development and implementation, ombudsman support, coordinated Agency initiatives, and direct assistance to veterans, service-disabled veterans, Reserve and National Guard members, and discharging active duty personnel."<sup>91</sup>

The OVBD provided, or supported third-parties to provide, management and technical assistance training services to 122,901 veterans during FY2009. These services were provided "through SBA district offices; OVBD-developed and distributed materials; websites; partnering; management of regional Veterans Business Outreach Centers; direct guidance and assistance to Agency veteran customers; inter-agency assistance with federal partners; and through enhancements to intra-agency programs used by the military and veteran communities."<sup>92</sup> For example, OVBD provided "207 public presentations and training events to enhance veterans' understanding of and access to SBA programs and partners to improve access to broader federal procurement opportunities, initiatives, and programs for veterans and for service-disabled veterans."<sup>93</sup> It also regularly referred veterans to SBA district offices and SBA management and technical assistance training resource partners for locally based training, workshops and assistance.<sup>94</sup> The OVBD's FY2010 appropriation is \$2.5 million.<sup>95</sup>

The OVBD's Veterans Business Outreach Centers Program is one of its larger and better known third-party provider management and technical assistance training programs. It was established by the SBA under the authority in section 8(b)(17) of the Small Business Act. It is to "provide outreach, assessment, long term counseling, training, coordinated service delivery referrals, mentoring & network building, procurement assistance and E-based assistance to benefit Small Business concerns and potential concerns owned and controlled by Veterans, Service Disabled Veterans and Members of Reserve Components of the U.S. Military."<sup>96</sup>

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<sup>90</sup> Ibid.

<sup>91</sup> U.S. Small Business Administration, "FY2011 Congressional Budget Justification and FY2009 Annual Performance Report," Washington, DC, 2010, p. 66, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>92</sup> Ibid.

<sup>93</sup> Ibid., pp. 66, 67.

<sup>94</sup> Ibid., p. 67.

<sup>95</sup> Ibid., p. 18.

<sup>96</sup> U.S. Small Business Administration, Office of Veterans Business Development, "Special Program Announcement: (continued...)"

There are currently 16 Veterans Business Outreach Centers. Each center is funded on an annual basis, with funding not to exceed \$150,000 each year. Awards “may vary, depending upon location, staff size, project objectives, performance and agency priorities, and additional special initiatives initiated by the Office of Veterans Business Development.”<sup>97</sup> Existing centers may receive additional funding for special outreach or other initiatives. The initial grant award is for 12 months, with the possibility of four additional (option) years.

In FY2009, the Veterans Business Outreach Centers Program conducted its fifth annual “Customer Satisfaction Survey.” The centers surveyed 2% of their total veteran customer population. The FY2009 survey found that

89.3% of the clients using the centers were satisfied or highly satisfied with the quality, relevance and timeliness of the assistance provided. Clients evaluating the centers gave 89.3% ratings for the training programs provided and 89.3% ratings for program evaluation.<sup>98</sup>

## **Department of Commerce Small Business Management and Technical Assistance Training Programs**

As mentioned previously, the Department of Commerce’s Minority Business Development Agency provides training to minority business owners to assist them in becoming suppliers to private corporations and the federal government.<sup>99</sup> In addition, the Department of Commerce’s Economic Development Administration’s Local Technical Assistance Program promotes efforts to build and expand local organizational capacity in distressed areas. As part of that effort, it funds projects that focus on technical or market feasibility studies of economic development projects or programs, which often include consultation with small businesses.<sup>100</sup>

### **The Minority Business Development Agency (MBDA)**

The Minority Business Development Agency (MBDA) was established by President Richard M. Nixon by Executive Order 11625, issued on October 13, 1971 and published in the *Federal Register* the next day. It clarified the authority of the Secretary of Commerce to:

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(...continued)

Veterans Business Outreach Center Program,” Washington, DC, April 2010, p. 1, [http://www.sba.gov/idc/groups/public/documents/sba\\_program\\_office/ovbd\\_vboc\\_prgm\\_announce2010.pdf](http://www.sba.gov/idc/groups/public/documents/sba_program_office/ovbd_vboc_prgm_announce2010.pdf).

<sup>97</sup> Ibid., p. 2.

<sup>98</sup> U.S. Small Business Administration, “FY2011 Congressional Budget Justification and FY2009 Annual Performance Report,” Washington, DC, 2010, p. 67, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/fy\\_2011\\_cbj\\_09\\_apr.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/fy_2011_cbj_09_apr.pdf).

<sup>99</sup> U.S. Department of Commerce, Minority Business Development Agency, *Annual Performance Report, Fiscal Year 2008*, Washington, DC, 2009, p. 6, [http://www.mbda.gov/?section\\_id=2&bucket\\_id=643&content\\_id=3205&well=entire\\_page&portal\\_document\\_download=true&download\\_cid=3205&name=MBDA\\_Annual\\_Performance\\_Report\\_2008.pdf&legacy\\_flag=false](http://www.mbda.gov/?section_id=2&bucket_id=643&content_id=3205&well=entire_page&portal_document_download=true&download_cid=3205&name=MBDA_Annual_Performance_Report_2008.pdf&legacy_flag=false).

<sup>100</sup> 13 C.F.R. § 306.

- implement federal policy in support of the minority business enterprise program,
- provide additional technical and management assistance to disadvantaged businesses,
- assist in demonstration projects, and
- coordinate the participation of all federal departments and agencies in an increased minority enterprise effort.<sup>101</sup>

The MBDA's FY2010 appropriation is \$31.5 million.

As part of its mission, the MBDA seeks to train minority business owners to become first- or second-tier suppliers to private corporations and the federal government. Progress is measured in the business's increased gross receipts, number of employees, and size and scale of the firms associated with minority business enterprises.

According to the MBDA's annual report:

In fiscal year 2008 the Return on Agency Investment (ROAI) was \$74. The ROAI is one of several indicators that the agency uses to track overall performance. This measure takes all agency appropriations (\$28.6 million) and divides it by the total dollars of obtained closed transactions for financials and contracts. Accomplishments were reported by a total of 44 funded projects that were funded across the country. These projects, along with agency staff, reported that they were successful in securing over \$1 billion dollars in contracts and over \$1 billion dollars in closed financial transactions.

MBDA funded two flagship programs, the (Minority and Native American) Business Enterprise Centers (BECs) and the Minority Business Opportunity Centers (MBOCs). The BEC program services minority business entrepreneurs through the Minority Business Enterprise Centers (MBECs) and through the Native American Business Enterprise Centers (NABECs). Technically, the BECs are the primary drivers of the agency. It is through this program that the majority of MBDA's success is accomplished.

The 36 BEC projects which were funded in FY 2008 secured close to \$700 million in contracts and over \$1 billion in closed financial transactions for their minority clients. By comparison, the BEC program reported accomplishments of \$619.5 million in contracts and \$398.3 million in secured financial transactions in FY2007.<sup>102</sup>

## **The EDA Local Technical Assistance Program**

P.L. 89-186, the Public Works and Economic Development Act of 1965, authorized the Department of Commerce's Economic Development Administration (EDA) to provide financial assistance to economically distressed areas in the United States that are characterized by high

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<sup>101</sup> The Executive Office of the President, "Executive Order 11625," 36 *Federal Register* 11625, October 14, 1971; and 3 C.F.R., 1971-1975 Comp. 9. 616. The MBDA superseded the Office of Minority Business Enterprise, which was established by Executive Order 11458 signed by President Richard Nixon on March 5, 1969.

<sup>102</sup> U.S. Department of Commerce Minority Business Development Agency, *Annual Performance Report, Fiscal Year 2008*, Washington, DC, 2009, p. 14, [http://www.mbda.gov/?section\\_id=2&bucket\\_id=643&content\\_id=3205&well=entire\\_page&portal\\_document\\_download=true&download\\_cid=3205&name=MBDA\\_Annual\\_Performance\\_Report\\_2008.pdf&legacy\\_flag=false](http://www.mbda.gov/?section_id=2&bucket_id=643&content_id=3205&well=entire_page&portal_document_download=true&download_cid=3205&name=MBDA_Annual_Performance_Report_2008.pdf&legacy_flag=false).



levels of unemployment and low per-capita income. The EDA currently administers seven Economic Development Assistance Programs (EDAPs) that award matching grants for public works, economic adjustment, planning, technical assistance, research and evaluation, trade adjustment assistance, and global climate change mitigation.<sup>103</sup> In FY2010, these programs were appropriated \$293 million.

Grants awarded under the EDA's Local Technical Assistance Program are designed to help solve specific economic development problems, respond to development opportunities, and build and expand local organizational capacity in distressed areas.<sup>104</sup> The majority of local technical assistance projects focus on technical or market feasibility studies of economic development projects or programs, including consultation with small businesses. In FY2010, technical assistance accounted for 3.8% of the total economic development program allocation for the EDA, or \$9.8 million.

## Congressional Issues

For many years, a recurring theme at congressional hearings concerning the SBA's management and technical assistance training programs has been the perceived need to improve program efficiency by eliminating duplication of services and increasing cooperation and coordination both within and among SCORE, WBCs and SBDCs.<sup>105</sup> In recent years, Congress has also explored ways to improve the SBA's measurement of the programs' effectiveness and has paid increased attention to the impact of national economic conditions on WBC and SBDC finances and their capacity to meet federal matching requirements and to maintain client service levels.<sup>106</sup>

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<sup>103</sup> In addition, since 1970, Congress has periodically allocated supplemental funds for EDA to assist with disaster mitigation and economic recovery. Also, EDA grant applicants must be designated by EDA as part of an EDD—a multijurisdictional consortium of county and local governments—to be eligible for EDA funding and grants. To be designated as an EDD, an area must meet the definition of economic distress, under 13 C.F.R. 303.3: (i) An unemployment rate that is, for the most recent twenty-four (24) month period for which data are available, at least one (1) percentage point greater than the national average unemployment rate; (ii) Per capita income that is, for the most recent period for which data are available, eighty (80) percent or less of the national average per capita income; or (iii) A Special Need, as determined by Economic Development Administration (EDA).

<sup>104</sup> 13 C.F.R. § 306.

<sup>105</sup> U.S. Congress, House Committee on Small Business, *Full Committee Markup of H.R. 2352 The Job Creation Through Entrepreneurship Act of 2009*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 13, 2009, Doc. No. 111-022 (Washington: GPO, 2009), pp. 2, 14; U.S. Congress, Senate Committee on Small Business, *SBA's Management and Assistance Programs*, Roundtable before the Committee on Small Business United States Senate, 106<sup>th</sup> Cong., 1<sup>st</sup> sess., May 20, 1999, S. Hrg. 106-337 (Washington: GPO, 1999), pp. 69, 74, 82, 92; U.S. Congress, House Committee on Small Business, *To Investigate the Legislation That Would Increase the Extent and Scope of the Services Provided By Small Business Development Centers*, 107<sup>th</sup> Cong., 1<sup>st</sup> sess., July 19, 2001, Serial No. 107-20 (Washington: GPO, 2001), pp. 13, 59, 60; and U.S. Congress, Senate Committee on Small Business, *Oversight on the Small Business Administration's Small Business Development Center Program*, 100<sup>th</sup> Cong., 1<sup>st</sup> sess., October 15, 1987, S. Hrg. 100-339 (Washington: GPO, 1987), pp. 6, 165, 168, 230.

<sup>106</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on Legislation to Reauthorize and Modernize SBA's Entrepreneurial Development Programs*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 6, 2009 (Washington: GPO, 2009), pp. 12, 13, 15, 18.



## Program Administration

As mentioned previously, a recurring theme at congressional hearings concerning the SBA's management and technical assistance training programs has been the perceived need to improve program efficiency by eliminating duplication of services and increasing cooperation and coordination both within and among SCORE, WBCs and SBDCs. For example, in 2007, the U.S. Government Accountability Office (GAO) was asked to assess the SBA's oversight of WBCs and the coordination and duplication of services among the SBA's management and technical training assistance programs. GAO found that

As described in the terms of the SBA award, WBCs are required to coordinate with local SBDCs and SCORE chapters. In addition, SBA officials told us that they expected district offices to ensure that the programs did not duplicate each other. However, based on our review, WBCs lacked guidance and information from SBA on how to successfully carry out their coordination efforts. Most of the WBCs that we spoke with explained that in some situations they referred clients to an SBDC or SCORE counselor, and some WBCs also took steps to more actively coordinate with local SBDCs and SCORE chapters to avoid duplication and leverage resources. We learned that WBCs used a variety of approaches to facilitate coordination, such as memorandums of understanding, information-sharing meetings, and co-locating staff and services. However, some WBCs told us that they faced challenges in coordinating services with SBDC and SCORE, in part because the programs have similar performance measures, and this could result in competition among the service providers in some locations. We also found that on some occasions SBA encouraged WBCs to provide services that were similar to services already provided by SBDCs in their district. Such challenges thwart coordination efforts and could increase the risk of duplication in some geographic areas.<sup>107</sup>

Some organizations have argued that the SBA's management and technical assistance training programs should be merged. For example, the U.S. Women's Chamber of Commerce has argued that

over the last 50 years, the SBA entrepreneurial development system has grown into a fragmented array of programs, which has resulted in a disorganized, overlapping, and [in]efficient delivery of service through a system that is ill-prepared to effectively address the challenges of our economy.

... if we are to serve the needs of American entrepreneurs, we must commit to a top to bottom restructuring of the delivery of the entrepreneurial services of the SBA. The myriad of entrepreneurial development programs should be unified into one centrally managed organization that has the flexibility to provide services when and where they are needed.<sup>108</sup>

These organizations argue that merging the SBA's management and technical assistance training programs would provide greater coordination of services and "one clear channel for assistance" that "is paramount to the average business owner seeking help."<sup>109</sup> Advocates of merging the

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<sup>107</sup> U.S. Government Accountability Office, *Small Business Administration: Opportunities Exist to Improve Oversight of Women's Business Centers and Coordination among SBA's Business Assistance Programs*, GAO-08-49, November 2007, pp. 6, 24-31, <http://www.gao.gov/new.items/d0849.pdf>.

<sup>108</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on the State of the SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., February 11, 2009, Small Business Comm. Doc. No. 111-005 (Washington: GPO, 2009), p. 4.

<sup>109</sup> U.S. Congress, House Committee on Small Business, Subcommittee on Rural Development, Entrepreneurship, and (continued...)

SBA's management and technical assistance training programs often mention merging them into the SBDC Program because, in their view, it has the advantage of having a broader connection to mainstream resources and its locations are "greater and more diverse" than other SBA management and technical assistance training programs.<sup>110</sup>

Others argue that providing separate management and training assistance programs for specific groups is the best means to ensure that those group's unique challenges are recognized and their unique needs are met.<sup>111</sup> For example, when asked at a congressional hearing about the rationale for having separate management and technical assistance training programs for specific groups, a representative of the Association of Women's Business Centers stated:

I think that there is tremendous rationale for having different programs.... The women's business center programs really target a very different kind of population than the SBDCs.... We serve very different clientele.... We create a very different culture at the women's business center. We really have made it a welcoming place where ... they feel comfortable.... And it's very important to me that the woman have a place where they feel comfortable ... and where they see other women like themselves who are aspiring to reach their dreams.<sup>112</sup>

At another congressional hearing, the Association of Women's Business Centers' Executive Director argued that "the new three-year funding arrangement" for WBCs had enabled them to "concentrate on better serving their clients and growing their programs" and that WBCs should be provided continued and expanded funding because they provide effective services:

We know that when our program performance is measured against any other enterprise assistance program, we will meet or exceed any performance measures. Indeed, the SBA's own client-based performance reviews have shown our clients to be just as satisfied or in some cases more satisfied with the services they have received compared to the SBA's other entrepreneurial development efforts.<sup>113</sup>

Instead of merging programs, some organizations argue that improved communication among the SBA's management and technical assistance training resource partners and enhanced SBA program oversight is needed. For example, during House consideration of H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, the House Committee on Small Business concluded that

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(...continued)

Trade, *Subcommittee Hearing on Legislative Initiatives to Modernize SBA's Entrepreneurial Development Programs*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., April 2, 2009 (Washington: GPO, 2009), p. 29.

<sup>110</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on the State of the SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., February 11, 2009, Small Business Committee Doc. No. 111-005 (Washington: GPO, 2009), p. 26.

<sup>111</sup> *Ibid.*, pp. 15, 17, 26, 29, 58-65, 72; and U.S. Congress, House Committee on Small Business, *Women's Business Ownership Act of 1988*, report to accompany H.R. 5050, 100<sup>th</sup> Cong., 2<sup>nd</sup> sess., September 22, 1988, H.Rept. 100-955 (Washington: GPO, 1988), pp. 9, 10, 13, 14.

<sup>112</sup> U.S. Congress, House Committee on Small Business, *Full Committee Legislative Hearing on Energy, Veterans Entrepreneurship, and the SBA's Entrepreneurial Development Programs*, 110<sup>th</sup> Cong., 1<sup>st</sup> sess., May 16, 2007, Serial Number 110-22 (Washington: GPO, 2007), p. 20.

<sup>113</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on the State of the SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., February 11, 2009, Small Business Committee Doc. No. 111-005 (Washington: GPO, 2009), pp. 45, 47.

Given the increasing range and complexity of small business owners' needs, the agency's ED [Entrepreneurial Development] programs must be implemented more effectively. Each ED program has a unique mandate and service delivery approach that is customized to its particular clients. However, as a network, the programs have established local connections and resources that benefit entrepreneurs within a region. Enhanced coordination among this network is critical to make the most of scarce resources available for small firms. It can also ensure that best practices are shared amongst providers that have similar goals but work within different contexts.<sup>114</sup>

H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, which was passed by the House on May 20, 2009, by a vote of 406–15, and is awaiting further action in the Senate, includes several provisions that are designed to improve the oversight and coordination of the SBA's management and technical assistance training programs. For example, the bill would require the SBA to create a new program that provides "high-quality multilingual distance training and education to potential and existing entrepreneurs through the use of technology."<sup>115</sup> The new program is to provide "peer-to-peer learning through the creation of a location online that allows entrepreneurs and small business owners the opportunity to exchange technical assistance through the sharing of information."<sup>116</sup> To ensure that the new on-line learning program is fully integrated into the SBA's existing management and technical assistance training programs, the SBA would be required to "integrate under one Web portal, Small Business Development Centers, Women's Business Centers, SCORE, Veterans Business Centers, the Administration's distance learning program, and other programs as appropriate."<sup>117</sup>

The bill would also require the SBA to coordinate its management and technical assistance training programs "with State and local economic development agencies and other federal agencies as appropriate."<sup>118</sup> In addition, the bill would require the SBA to "report annually to Congress, in consultation with other federal departments and agencies as appropriate, on opportunities to foster coordination, limit duplication, and improve program delivery for federal entrepreneurial development activities."<sup>119</sup>

## **Program Evaluation**

GAO noted in its 2007 assessment of the SBA's management and technical assistance training programs that, in addition to its annual survey of WBC, SBDC, and SCORE participants, the SBA requires WBCs to provide quarterly performance reports that include "the WBCs' actual accomplishments, compared with their performance goals for the reporting period; actual budget expenditures, compared with an estimated budget; cost of client fees; success stories; and names of WBC personnel and board members."<sup>120</sup> GAO also noted that WBCs are also required to issue

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<sup>114</sup> U.S. Congress, House Committee on Small Business, *Job Creation Through Entrepreneurship Act of 2009*, report to accompany H.R. 2352, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 15, 2009, H.Rept. 111-112 (Washington: GPO, 2009), pp. 17, 18.

<sup>115</sup> H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, Sec. 201. Educating Entrepreneurs Through Technology.

<sup>116</sup> *Ibid.*

<sup>117</sup> H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, Sec. 601. Expanding Entrepreneurship.

<sup>118</sup> *Ibid.*

<sup>119</sup> *Ibid.*

<sup>120</sup> U.S. Government Accountability Office, *Small Business Administration: Opportunities Exist to Improve Oversight of Women's Business Centers and Coordination among SBA's Business Assistance Programs*, GAO-08-49, November 2007, p. 15, <http://www.gao.gov/new.items/d0849.pdf>.

fourth quarter performance reports that “also include a summary of the year’s activities and economic impact data that the WBCs collect from their clients, such as number of business start-ups, number of jobs created, and gross receipts.”<sup>121</sup> SBDCs have similar reporting requirements.<sup>122</sup>

In recent years, Congress has considered requiring the SBA to expand its use of outcome-based measures to determine the effectiveness of its management and technical training assistance programs. For example, Representative Nydia M. Velázquez, chair of the House Committee on Small Business, has argued that

The SBA has typically relied on quantity-based indicators, such as the number of clients served or counselor hours provided. A better measure might be outcome-based, such as the number of businesses started or jobs created.<sup>123</sup>

During House consideration of H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, the House Committee on Small Business concluded that

As it stands, the ED [Entrepreneurial Development] network has minimal transparency in highlighting its contributions to economic growth. Data currently gathered by the SBA for this type of reporting does not adequately capture ED’s economic impact. For example, there is an overreliance on capturing data such as participation rates; e.g., total conference attendees, a figure that often fails to illustrate a program’s utility. Similarly, SBA’s online services share this problem, as it is difficult to numerically quantify the system’s benefits. As these resources can be accessed freely and no follow up is required on their use, the agency cannot definitively demonstrate their use for growing businesses. Instead, the performance data should indicate activities such as the number of jobs created, employees hired and sales generated from the outcome of each client relationship and service provided. This type of data would more accurately reflect the role of these programs in economic growth.<sup>124</sup>

The bill would require the SBA to create “outcome-based measures of the amount of job creation or economic activity generated in the local community as a result of efforts made and services provided by each women’s business center.”<sup>125</sup> It would also require the SBA to

promulgate a rule to develop and implement a consistent data collection process to cover all entrepreneurial development programs. Such data collection process shall include data relating to job creation, performance, and any other data determined appropriate by the Administrator with respect to the Administration’s entrepreneurial development programs.”<sup>126</sup>

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<sup>121</sup> Ibid.

<sup>122</sup> U.S. Small Business Administration, “FY/CY 2011, Program Announcement for Renewal of the Cooperative Agreement for Current Recipient Organizations,” Washington, DC, pp. 27-38, [http://www.sba.gov/idc/groups/public/documents/sba\\_program\\_office/sbdc\\_2011\\_prgm\\_announce.pdf](http://www.sba.gov/idc/groups/public/documents/sba_program_office/sbdc_2011_prgm_announce.pdf).

<sup>123</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on Legislation to Reauthorize and Modernize SBA’s Entrepreneurial Development Programs*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 6, 2009 (Washington: GPO, 2009), p. 12.

<sup>124</sup> U.S. Congress, House Committee on Small Business, *Job Creation Through Entrepreneurship Act of 2009*, report to accompany H.R. 2352, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 15, 2009, H.Rept. 111-112 (Washington: GPO, 2009), p. 18.

<sup>125</sup> H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, Sec. 404. Performance and Planning.

<sup>126</sup> H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, Sec. 601. Expanding Entrepreneurship.

## **WBC and SBDC Finances**

In recent years, Congress has provided increased attention to the impact of national economic conditions on WBC and SBDC finances and their capacity to meet federal matching requirements and to maintain client service levels.<sup>127</sup> For example, Donald Wilson, President, Association of Small Business Development Centers, testified before Congress that national economic conditions were making it more difficult for SBDCs to raise the funds necessary to meet federal matching requirements:

One of the issues is the whole design of the program [where] the federal dollar would leverage the non-federal dollar. And so when you get states that match and the federal dollar never goes up, the states are not likely to go up.

And now with this current economic downturn, all you have to do is look at foundations and you see where their stock portfolios are going. You see banks which have often been very helpful for us because we bring them high quality loan candidates. Their dollars are declining. States that are facing severe budget deficits which by law by their state constitution they cannot have. They are cutting back.

And so the issue now is not the same rosy outlook in terms of getting matched that it was, say, three or four years ago, and quite frankly, we encounter all the time if the federal government does not believe in this program, you know, we are not going to start pouring a lot of money into it.<sup>128</sup>

During House consideration of H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, the House Committee on Small Business concluded that

Resources to fund ED programs in accordance with demand are significantly below the necessary levels. This is a result of a budgetary approach in which the entrepreneurial development programs were funded well below the Congressionally-authorized levels. For every one of these programs, the funding level is twenty to thirty percent below the authorized level. Cuts to the supply of resources through these programs run counter to trends in the small business community, given that there has been significant growth in both the number and types of entrepreneurs over the past several decades. These reductions have also occurred simultaneously with new conditions in local and national economies, which are altering the types of opportunities available for entrepreneurs as well as their business development needs.<sup>129</sup>

The bill would have increased WBC funding from \$13.75 million in FY2009 to \$20 million in FY2010 and \$22 million in FY2011. The WBC program later received a \$14 million appropriation for FY2010. The bill would have also reduced the WBC program's matching requirement to one non-federal dollar for each two federal dollars during the first and second

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<sup>127</sup> U.S. Congress, House Committee on Small Business, Subcommittee on Rural Development, Entrepreneurship and Trade, *Subcommittee Hearing on Legislative Initiatives to Modernize SBA's Entrepreneurial Development Programs*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., April 2, 2009, H. Hrg. 111-015 (Washington: GPO, 2009), pp. 26, 27, 31.

<sup>128</sup> U.S. Congress, House Committee on Small Business, Subcommittee on Rural and Urban Entrepreneurship, *Subcommittee Hearing on Oversight of the Entrepreneurial Development Programs Implemented By the Small Business Administration and National Veterans Business Development Corporation*, 110<sup>th</sup> Cong., 2<sup>nd</sup> sess., March 12, 2008, House Serial No. 110-78 (Washington: GPO, 2008), pp. 17, 18.

<sup>129</sup> U.S. Congress, House Committee on Small Business, *Job Creation Through Entrepreneurship Act of 2009*, report to accompany H.R. 2352, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 15, 2009, H.Rept. 111-112 (Washington: GPO, 2009), p. 18.



years of the grant (1:2) and one federal dollar for each federal dollar thereafter (1:1). The bill would have also increased SBDC funding from \$116 million in FY2009 to \$150 million in FY2010 and \$160 million in FY2011. The SBDC program later received a \$113 million appropriation for FY2010.

The Senate is also considering legislation to provide additional resources for SBDCs and to reduce federal matching requirements for WBCs. For example, S.Amdt. 4519, an amendment in the nature of a substitute for the House-passed H.R. 5297, the Small Business Jobs and Credit Act of 2010, was introduced by Senator Harry Reid for Senator Max Baucus on July 27, 2010. It would authorize a number of changes to the SBA's programs, including providing SBDCs up to \$50 million in additional funds for targeted technical assistance to small businesses for various specified activities, such as seeking access to capital or credit, federal procurement opportunities, and opportunities to export products. The amendment would guarantee each state not less than \$325,000 of these additional funds and waive the non-federal matching requirement for these additional funds.<sup>130</sup> This provision is not included the House-passed version of the bill.

S.Amdt. 4519 would also allow the SBA to temporarily waive, in whole or in part, for successive fiscal years, the non-federal share requirement relating to "technical assistance and counseling" for WBCs under specified circumstances (e.g., the economic conditions affecting the center and the center's performance).<sup>131</sup> This provision is not included the House-passed version of the bill.

On July 29, 2010, a motion to invoke cloture on S.Amdt. 4519 failed, by a vote of 58-42. Senator Harry Reid voted nay in order to reserve the right to bring the motion up for reconsideration at another time.<sup>132</sup>

## Concluding Observations

Congressional interest in the federal government's small business management and technical assistance training programs has increased in recent years. One of the reasons for the heightened level of interest in these programs is that small business has led job formation and retention during previous economic recoveries.<sup>133</sup> It has been argued that effective small business management and technical assistance training programs are needed if small businesses are to lead job creation and retention during the current economic recovery. As Representative Heath Shuler, chair of the House Committee on Small Business Subcommittee on Rural Development, Entrepreneurship and Trade, stated during a congressional hearing,

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<sup>130</sup> Senator Harry Reid, "Text of Amendments: SA 4519," *Congressional Record*, vol. 156, no. 111 (July 27, 2010), pp. S6320, S6321. This provision is also included in S. 3103, the Small Business Job Creation Act of 2010.

<sup>131</sup> Senator Harry Reid, "Text of Amendments: SA 4519," *Congressional Record*, vol. 156, no. 111 (July 27, 2010), p. S6320. This provision is also included in S. 3165, Small Business Community Partner Relief Act of 2010; and a similar provision is included in S. 3103, the Small Business Job Creation Act of 2010.

<sup>132</sup> U.S. Senate, "U.S. Senate Roll Call Votes 111<sup>th</sup> Congress - 2<sup>nd</sup> Session, Vote No. 221," Washington, DC, July 29, 2010, [http://www.senate.gov/legislative/LIS/roll\\_call\\_lists/roll\\_call\\_vote\\_cfm.cfm?congress=111&session=2&vote=00221](http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=111&session=2&vote=00221).

<sup>133</sup> U.S. Small Business Administration, Office of Advocacy, *Small Business Economic Indicators for 2003*, Washington, DC, August 2004, p. 3, <http://www.sba.gov/advo/stats/sbei03.pdf>; Brian Headd, "Small Businesses Most Likely to Lead Economic Recovery," *The Small Business Advocate*, vol. 28, no. 6 (July 2009), pp. 1, 2, [http://www.sba.gov/advo/july\\_09.pdf](http://www.sba.gov/advo/july_09.pdf); and U.S. Small Business Administration, *Fiscal Year 2010 Congressional Budget Justification* (Washington, DC: GPO, 2009), p. 1.

We often talk about the role that small business plays in the creation of jobs and with good reason. Small firms generate between 60 and 80 percent of new positions. Following the recession in the mid-1990s, they created 3.8 million jobs.... we could use that growth today. But unfortunately, many firms are struggling to make ends meet. Let's allow them to hire new workers. In the face of historic economic challenges, we should be investing in America's job creators. SBA's Entrepreneurial Development Programs, or ED, do just that. Of all the tools in the small business toolbox, these are some of the most critical. They help small firms do everything from draft business plans to access capital.<sup>134</sup>

There is a general consensus that federal management and technical assistance training programs serve an important purpose and, for the most part, are providing needed services that are not available elsewhere. As Karen Mills, SBA Administrator, stated during a press interview:

We find that our counseling operations are equally important as our credit operations because small businesses really need help and advice, and when they get it, they tend to have more sales and more profits and more longevity, and they hire more people. So we have looked forward and said, "How do we get all the tools small businesses need into their hands?" Maybe they want to export. Maybe they want to know how to use broadband. Maybe they are veterans who are coming back and want to start a business or grow their business. Our job is to make sure all that information and opportunity is accessible for small businesses so they can do what they do, which is keep our economy strong.<sup>135</sup>

There is also a general consensus that making federal management and technical assistance training programs more effective and responsive to the needs of small business would assist the national economic recovery. However, there are disagreements over how to achieve that goal.

Some advocate increasing funding for existing programs to enable them to provide additional training opportunities for small businesses while, at the same time, maintaining separate training programs for specific demographic groups as a means to ensure that those groups' specific needs are met; require the SBA to make more extensive use of outcome-based measures to better determine the programs' effect on small business formation and retention, job creation and retention, and the generation of wealth; and temporarily reduce or eliminate federal matching requirements to enable SBA's management and technical assistance training resource partners to focus greater attention to service delivery and less to fund raising. Others argue for a merger of existing programs to reduce costs and improve program efficiency, to focus available resources on augmenting the capacity of SBDCs to meet the needs of all small business groups, and require the SBA to make more extensive use of outcome-based performance measures to determine program effectiveness.

There are no case studies or empirical data available concerning the efficiencies that might be gained by merging the SBA's management and technical assistance training programs. Advocates argue that merging the programs would improve communications, reduce confusion by business owners seeking assistance by ensuring that all small business management and technical assistance training centers serve all small business owners and aspiring entrepreneurs, lead to

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<sup>134</sup> U.S. Congress, House Committee on Small Business, Subcommittee on Rural Development, Entrepreneurship and Trade, *Subcommittee On Rural Development, Entrepreneurship And Trade Markup On Entrepreneurial Development Programs Legislation*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., April 30, 2009, Small Business Committee Document No. 111-118 [ERRATA – printing error, should be 111-018] (Washington: GPO, 2009), p. 1.

<sup>135</sup> David Port, "But Where Is the Money?" *Entrepreneur Magazine*, August 2010, <http://www.entrepreneur.com/magazine/entrepreneur/2010/august/207500.html>.



more sustainable and predictable funding for the programs from non-federal sources, and result in more consistent and standard operating procedures throughout the country.<sup>136</sup> Opponents argue that any gains in program efficiency that might be realized would be more than offset by the loss of targeted services for constituencies that often require different information and training to meet their unique challenges and needs.<sup>137</sup>

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<sup>136</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on the State of the SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., February 11, 2009, Small Business Committee Doc. No. 111-005 (Washington: GPO, 2009), pp. 3-5, 24-27, 29; and U.S. Congress, House Committee on Small Business, *Full Committee Hearing on Legislation to Reauthorize and Modernize SBA's Entrepreneurial Development Programs*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 6, 2009 (Washington: GPO, 2009), pp. 3-5, 15, 27-34.

<sup>137</sup> U.S. Congress, House Committee on Small Business, *Full Committee Hearing on the State of the SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., February 11, 2009, Small Business Committee Doc. No. 111-005 (Washington: GPO, 2009), pp. 44-49; U.S. Congress, House Committee on Small Business, *Job Creation Through Entrepreneurship Act of 2009*, report to accompany H.R. 2352, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 15, 2009, H.Rept. 111-112 (Washington: GPO, 2009), pp. 16-31; and U.S. Congress, House Committee on Small Business, *Women's Business Ownership Act of 1988*, report to accompany H.R. 5050, 100<sup>th</sup> Cong., 2<sup>nd</sup> sess., September 22, 1988, H.Rept. 100-955 (Washington: GPO, 1988), pp. 9, 10, 13, 14.

## Appendix. Brief Descriptions of SBA Management and Technical Assistance Training Programs

**Table A-1. Brief Descriptions of SBA Management and Technical Assistance Training Programs**

<b>Program Name</b>	<b>Authority</b>	<b>Brief Description</b>	<b>Number</b>	<b>Federal Matching Requirement</b>
Small Business Development Center Grant Program	P.L. 96-302, 1980	Provides management and technical assistance training to small businesses through centers located in leading universities, colleges, and state economic development agencies.	About 900	50% match from non-federal sources comprised of not less than 50% cash and not more than 50% of indirect costs.
Women Business Center Grant Program	P.L. 100-533, 1988	Provides long-term training, counseling, networking, and mentoring to women entrepreneurs, especially those who are socially and economically disadvantaged.	113	50% match from non-federal sources; not more than one-half of the non-federal matching assistance may be in the form of in-kind contributions, including office equipment and office space.
SCORE ((Service Corps of Retired Executives)	Section 8(b) of the Small Business Act; P.L. 89-754, 1966	Provides technical, managerial, and informational assistance to small business concerns through in-person mentoring by volunteer counselors who are working or, in most instances, retired business owners.	364 chapters and 800+ branch offices	none

<b>Program Name</b>	<b>Authority</b>	<b>Brief Description</b>	<b>Number</b>	<b>Federal Matching Requirement</b>
7(j) Technical Assistance Program	Section 7(j) of the Small Business Act; Section 8(a) of the Small Business Act; P.L. 95-507, 1978	Provides management and technical assistance training to 8(a) certified firms, small disadvantaged businesses, businesses operating in areas of high unemployment or low-income and firms owned by low-income individuals.	6 service providers and 1 interagency agreement	none
Microloan Technical Assistance Program	P.L. 102-140, 1992	Provides management and technical assistance training to Microloan borrowers and, within specified limits, to prospective Microloan borrowers.	160+ intermediaries	25% from non-federal sources; no matching requirement if the intermediary makes at least 50% of its loans in an Economically Distressed Area.
Native American Outreach Program	Section 7(j) of the Small Business Act; SBA regulations, 1994	Provides management and technical assistance training to American Indians, Alaska Natives, Native Hawaiians and "the indigenous people of Guam and American Samoa ... to promote entity-owned and individual 8(a) certification, government contracting, entrepreneurial education, and capital access."	NA	none
PRIME Technical Assistance Program	P.L. 106-102, 1999	Provides assistance in the form of grants to nonprofit microenterprise development organizations or programs that has a demonstrated record of delivering microenterprise services to disadvantaged entrepreneurs.	58 service providers	50% from non-federal sources; sources such as fees, grants, gifts, income from loan sources, and in-kind resources from non-federal public or private sources may be used to comply with the matching funds requirement

<b>Program Name</b>	<b>Authority</b>	<b>Brief Description</b>	<b>Number</b>	<b>Federal Matching Requirement</b>
Veterans Business Development Programs	P.L. 106-50, 1999	The mission of the SBA's Office of Veterans Business Development is to (1) expand the provision of and improve access to technical assistance regarding entrepreneurship for the Nation's veterans; and (2) to assist veterans, including service-disabled veterans, with the formation and expansion of small business concerns by working with and organizing public and private resources, including those of the SBA.	NA	none

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**Source:** Federal statutes, cited in table.

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